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[Modern business Talks]

FROM THE SALES VIEWPOINT

MODERN BUSINESS
TALK No. 9

ALEXANDER HAMILTON INSTITUTE
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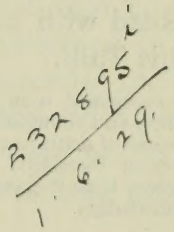
From the Sales Viewpoint

Number Nine of a Series of Modern
Business Talks Prepared by the
Alexander Hamilton Institute



ALEXANDER HAMILTON INSTITUTE
NEW YORK

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READING ASSIGNMENT
NUMBER NINE

"The need of business is for executives who can get back of the technique of making sales—who can investigate, analyze, weigh and understand basic market conditions."—Page 6, Chapter I, Volume 5 of the MODERN BUSINESS Text.

(1) Read the Talk in this pamphlet, "From the Sales Viewpoint." Many disastrous failures, years upon years of wasted efforts, millions upon millions of squandered money are directly traceable to an incomplete view of business from the point of sales. This Talk points out some of the important factors involved in the marketing process.

(2) Read Chapters I to XI (pages 1 to 172 inclusive) of "Marketing Methods," which is the fifth volume of the MODERN BUSINESS Text.

(3) Read with care Lecture No. 5 which accompanies this Talk.

Ask the successful man, the big man of affairs, whether it pays to devote time and thought to the study of the experience of successful men as a means of acquiring ability to understand causes and relations and developing foresight, business judgment and executive power. He will answer that it pays better than any investment of which he has any knowledge.

"Much may be done in those little shreds and patches of time which every day produces and which most men throw away but which, nevertheless, will make at the end of it no small deduction from the life of a man."—COLTON.

From the Sales Viewpoint

"The old basis of competition was price. The new basis is service. Nowadays, even if a store gets trade because of its low price appeal, and many of them do, it holds trade because the low price is only one of the forms of service the store offers to its customers."—Page 61, Chapter V, Volume 5 of the MODERN BUSINESS Text.

Twenty-five years ago, the process of distribution was less complex than it is today. The jobber's salesman would visit the retailer from time to time, and the latter would order the kind of goods that he thought suitable for his trade and that he could sell at a fair profit. It made no difference to him who made the goods—that was a matter for the jobber to consider—so long as quality and price were satisfactory. The customers, as a rule, would take the goods their dealer gave them and pay the price he asked.

For a number of years Henry Fisher conducted a grocery business in a New Jersey town, situated within commuting distance of New York City. As the town gradually increased in population, customers likewise became more numerous in the store. "Harry" was well liked—he was good-natured and

always anxious to serve his customers. Altho in the course of years two other groceries had been started in the little town, he had easily held his own and was still the "leading grocer" as the jobber's salesmen frequently reminded him when they came to get his orders.

A Sick Business

But of late, things had not gone so well for Harry Fisher. There was no denying the fact that trade was dwindling—that it really had been dwindling steadily for some time past. Yet a casual observer might have found it difficult to determine just *why* it was dwindling. Harry seemed to be "on the job" just as much as in former years. He treated customers with his old-time geniality, and bought his merchandise just as carefully as ever. He took particular pride in his efforts to protect his trade from "fake" goods, as he called them, and he would, on occasion, wax righteously indignant at the stupidity of a customer who demanded "one of those advertised brands," even when told that the brand he carried was much better.

Nevertheless, his dwindling trade began to worry the New Jersey grocer. His life was made uncomfortable also in other ways. "There is hardly a day," he said in describing his troubles, "but what half a dozen fellows come here loaded with window-cards, pictures and booklets which they want to leave with me on condition that I order some of their advertised goods. But I always send them away.

I'd like to know who pays for all this advertising—for the fine pictures and the window-displays and all the rest of it—if it doesn't come out of the pocket of the retailer."

And when Harry got started in this way, he could keep on as long as anyone cared to listen. He would have you understand that he knew his business. Others might have more "book-learning" but when it came to store-keeping . . . .

A Fortunate Visit

At about this time, a commuter, who was a member of a New York publicity agency, occasionally came to the store. More than once had he been an involuntary listener to Harry's monologue on the evils of modern grocery selling methods. One evening this publicity man called at the store and suggested to Harry that they have a little confab on business in general and on the grocery business in particular. Nothing suited Harry better than a chance to talk on his favorite subject, so he closed his shop a little earlier that evening and bade his visitor come into the little room behind the store where they could be seated comfortably while they talked. The visitor said he wished to look over the stock first, and with pencil and pad in hand, he climbed the store ladder, examined the contents of the shelves and from time to time made notes upon his pad. Harry watched this procedure with a puzzled air. He didn't know just why an inventory was needed at this time, but he said nothing.

In less than half an hour the visitor was ready to follow Harry into the little back room, where he seated himself, lit a cigar and motioned to the grocer to take the other chair. Harry, still mystified, mentally braced himself for an uncomfortable questioning which somehow he felt was coming.

The Sore Spot

"Well, Harry," began the visitor, after puffing away silently for a minute, "are you doing much reading of magazines these days, particularly magazines that are of interest to women, such as *The Ladies' Home Journal, The Woman's Home Companion, Good Housekeeping* and others of that kind?"

No, Harry did not read magazines. How could a small-town grocer, who personally looked after the interests of his customers, find time to read magazines? The only reading he did was a hurried scanning of the local column in the home weekly paper.

"Well, but aren't you often asked for certain brands of goods which your customers have seen advertised?"

"Oh, yes, almost every day; but I always tell them that those advertised goods are not reliable and that they cost more than the other kind."

"And do the customers accept your substitutes?"

"*Substitutes*—what do you mean?"

"Why, of course, you substitute when you persuade a customer to take something else than that which she asks for. To be frank, Harry, I fear that your business suffers from a bad case of poor management."

"From *what?*"

"Yes, sir, from poor management. It appears to be slowly dying of dry rot. Tell me, how many customers have left you in the last six months? Fifty?"

"No—well, yes, perhaps about that many."

"And I venture to say that in nearly every case the customer had repeatedly ordered goods which you did not carry and which you did not want to get for her?"

"Well, I'll not deny that of late there have been a great many complaints because I wouldn't deliver these advertised goods."

"All right. Now, just another question. No doubt you have received a great many letters and circulars from the producers of advertised goods, and very likely their salesmen have repeatedly called on you. What answer have you made to their offer to sell you their advertised brands?"

"What answer have I made? Why, I have told them many times that even if the goods were as good as they say—which they are not—I'm not going to tie myself to anybody's brands and give up my own independence. I told them, too, that the cost of their expensive advertising we retailers have to pay——"

In the Rut

"Harry, here's the situation. You are out of tune with the merchandising spirit of the day. You do not know that methods of distribution have undergone great changes in late years. For one

thing, you are buying almost all your goods from the jobber. I notice on your shelves brands that I have never seen advertised—jobber's private brands, no doubt. As a matter of fact, a great number of the best-selling goods are today sold direct to retailers by the producers. Naturally, the jobber doesn't like this very much, so he puts out brands of his own and depends on you to push them. His prices may be a trifle lower than the manufacturer's price on advertised goods, but, don't you see, it is costing you more to push the jobber's unknown goods than to sell the goods for which the manufacturers are creating a demand thru magazine advertising and by other means.

"This is what I mean. In looking over your shelves I didn't find, for example, a single jar or can of Heinz's well-known fifty-seven varieties, nor did I see any of the National Biscuit Company's goods. Yet everybody regards these goods as standard. They have become widely known thru extensive and continuous publicity. Tell me, how often have you had a demand for these goods?"

Well, Harry could easily recall a number of instances when these goods had been demanded, tho he had never supplied them. But of late, these requests had not been so numerous—a matter easily explained, in view of his dwindling trade. The visitor mentioned a number of other well-advertised products, largely used by intelligent consumers everywhere. None of these goods, however, were found on Harry's shelves.

"Well, I think I see what you are driving at. You mean I should——"

"I mean that you should take advantage of the changed conditions and cash in on the extensive consumer advertising done by so many producers of first-class merchandise. The majority of these manufacturers will supply you with material to help you sell their goods—circulars, illustrated booklets, window displays, etc.—things that go a long way toward getting new trade in addition to helping you hold your own."

"You really think so?"

"I know it. Another thing: You are guilty of the great folly of dictating to your customers what brands to buy. You wish them to accept your judgment in the matter when, as a matter of fact, every week strong appeals from producers whose goods you do not carry find their way into your customers' homes. To me it is not at all surprising that so many customers have left you; the surprising part is that you have any left. Next week my wife stops dealing with you, and I understand there are others to follow!"

. . . . . .

It was 'way past midnight when this back-room conference ended. But by that time a great many things had been discussed; among them plans for circularizing the town, copy for ads in the local papers and re-arrangement of the store interior. A list of desirable manufacturers had been dashed off by the publicity man and others were to be looked up later.

That night, Harry Fisher had seen a new light, and with characteristic energy he began following it at once. His former business policy was almost completely reversed, and even his store took on a new appearance. One by one, old customers came back, while new ones were added from time to time, and today Henry Fisher's grocery is once more the leading store in the community.

A Common Source of Failure

That a great many retail merchants fail in business is a fact well known to many. But the cause of such failure is not always found in lack of capital or in the absence of general business ability. It must be sought rather in the ignorance of business principles which men of this class often display. Back of this fact lies the amazing self-confidence with which so many men "go storekeeping," who possess no preliminary knowledge of the broader principles of economics, organization, management, marketing methods, and other subjects discussed in the Modern Business Course.

> *A large percentage of retail merchants are ignorant of the actual cost of doing business; hence they often delude themselves into thinking that they are making money when in fact they are falling behind.*

The rock that came near wrecking the business ship of the New Jersey grocer was ignorance of

modern distribution methods. The timely intervention of a kindly customer changed the course and saved the ship. Incidentally, this suggests to the manufacturer or the wholesaler the point of approach when it is sought to make the small retailer cooperate in the distribution of nationally advertised goods.

Distribution Channels

The present assignment opens up a most interesting subject, that, namely, of the distribution of commodities on their journey from producer to consumer. When you consider how large a share of the world's work consists in the mere marketing of products, and how extensive is the machinery of distribution, the importance of this assignment is readily seen.

After a brief introductory chapter, the author traces in Chapter II the history and development of marketing processes after which, in Chapter III, he examines the factors and channels of trade. Under the shifting conditions of trade and the ever-increasing demand for economy and efficiency, the choice of means and methods assumes an importance that makes a clear understanding of the factors involved in such choice almost indispensable.

Chapters IV and V are devoted to an explanation of the modern system of retail selling, and bring out by way of contrast the development in our country of this link in the chain of distribution since the period of the Civil War. Thus the development of the department store idea is especially interesting to the student of successful storekeeping. The

advantages as well as the disadvantages of this form of retailing are pointed out in such a way as to give the reader a good insight into the subject.

What is possibly even more interesting than the development of the department store idea, is the marked growth of that factor in modern retail selling known as the chain store and described in Chapters VI and VII of the present assignment. When we learn that in a single city one chain of stores numbers over three hundred, as in the case of the Acme Tea Company of Philadelphia, and that in New York and other large cities, the chain store system is developing very fast, we involuntarily ask ourselves what is to become of the old-style independently-owned store, such as the familiar corner grocery?

Apparently it will become more and more difficult for the latter to compete with the chain store. The author shows in Chapter VII just wherein lies the strength of the chain store. He also points out that it has certain elements of weakness that are difficult to overcome and that often permit the well-managed, independent store to make a successful bid for business.

A Reformed Business

In recent years mail order selling has come to play a prominent part in the process of distribution. At one time the mail order business, as someone has said, was "tinsel outside and sawdust inside." The only goods offered by mail were cheap novelties,

games, tricks, recipes, fortune-telling books and bogus schemes. Two Chicago men eliminated the sawdust from mail order selling and substituted a better stuffing. They went right into a man's home, no matter where he lived, and showed him by means of pictures the things they had to sell. They told him in a straightforward manner just what these things were and what they cost. They guaranteed satisfaction and backed the guaranty by offering to refund the price if the customer was not satisfied with his purchase. People had been fooled so long that at first they had no mental grooves to fit this new idea of trusting a stranger with money in advance and actually getting fair play. But the mail order houses worked to build up good-will. They realized that in their case, deception—however small—would be a good start toward bankruptcy, and that nothing but absolute truthfulness and square dealing would insure lasting success. This reputation for square dealing which they established at the outset has become the solid foundation of all subsequent mail order successes. The subject is fully discussed in in Chapter IX of our assignment.

The fact that the yearly sales of a single mail order house exceed the sum of $100,000,000, indicates the wide market for profitable business afforded by this form of selling.

The factors that threatened with failure and ultimately brought success to the business of Harry

Fisher, namely, the retailer's attitude toward advertised goods, are concisely stated in Chapter X. There is, however, another side to this question of advertised goods. Just what that other side is, will be clearly seen from a reading of that chapter. So also with regard to the jobber. We are not to infer that the jobber is a superfluous addition to the machinery of distribution. On the contrary, he fills a very important place and his services are in many cases indispensable. Just why this is so, the author makes plain in Chapter XI, the last chapter of the current assignment.

Developing Foresight

Most business men are afflicted more or less with Harry Fisher's malady: they are inclined to continue in old grooves, forgetful of the fact that conditions are constantly changing. They overlook the important fact that this evolution in business demands constant re-adjustment—mental as well as physical—and that it is important not merely to yield to new conditions when these are actually confronting us, but to anticipate them and prepare for their arrival.

This mental attitude of continuous vigilance is a chief element in foresight, which is one of the most important qualifications for success in business. Until recently, the average business man paid but little attention to forecasting the future. He was not in the habit of looking very far beyond his immediate problems. As described by a writer in a magazine:

Half of his guesses were in error; half of the time he bought on falling markets and sold on rising ones.

The department store movement commenced—and he fought it!

Little factories combined into big ones—but he held out, crying them down as "trusts," not dreaming that this was evolution!

Accounting developed to replace eye-sight—but he kept the old bookkeeper at work on the old books, while the old superintendent continued to do his own cost-guessing and inspecting; and the old sales manager continued to sneer at those newfangled "daily reports."

Loose-leaf books, card systems, maps, adding machines, addressographs, billing machines, these labor-savers came into use *despite* him, not by his invitation.

The principle applies in a thousand ways and to work of whatever nature. Not only the man who sells goods, but the accountant, the credit man, the cost clerk, the engineer, the foreman—all need to develop this ability to anticipate the future, in other words, to think ahead of their immediate tasks.

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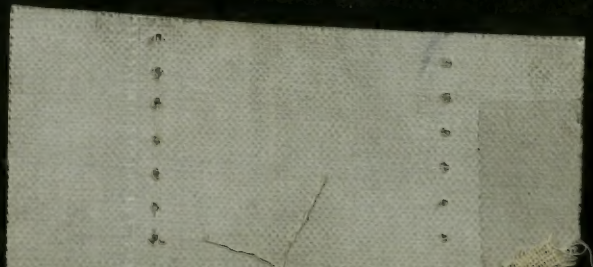

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